

**Women's Institute for a Secure Retirement (WISER)'s  
Submission to Committee on Ways and Means  
Working Group on Pension and Retirement Savings  
U.S. House of Representatives  
April 15, 2013**

Introduction

The Women's Institute for a Secure Retirement (WISER) commends the House Ways and Means Committee for creating a pension and retirement savings working group, and appreciates the opportunity to offer our insights. The issue of retirement income security is especially critical for our nation's moderate and lower income women, who face unique challenges that place them at risk of poverty in retirement.

WISER is dedicated to education and advocacy that will improve the long-term financial quality of life for women. As the only organization to focus exclusively on the unique financial challenges that women face, WISER supports women's opportunities to secure adequate retirement income through research, workshops and partnerships.

Our submission focuses on women's unique challenges. It also offers WISER's insights on financial education, the Federal Saver's Tax Credit, and the important role lifetime income options play for women's retirement security. An additional comment is included from our West Virginia Rural Retirement Project.

Women's Unique Challenges

Women face a host of obstacles that jeopardize their economic security in retirement. For one, women live longer, which means their retirement assets have to last longer. Older women are also more likely to have chronic medical conditions and need long-term institutional care. Further, older women are more likely to be single, which puts them at higher risk for poverty.

Despite needing more retirement assets, women end up having less. In the case of single women over 65 today, fully half receive less than \$750 *a year* in income from assets.<sup>1</sup> Factors that play into this include pay inequity, uneven work histories due to caregiving responsibilities, and a greater likelihood of working part-time where retirement benefits aren't offered.

A report by GAO identified that women age 65 and over have 25 percent less retirement income and twice the poverty rate of men.<sup>2</sup> When widowhood or

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<sup>1</sup> Women's Institute for a Secure Retirement. Fact Sheet: Single Older African American Women and Poverty.

<sup>2</sup> GAO. Retirement Security: Women Still Face Challenges. GAO-12-699. July 19, 2012.

divorce occurs, the effects are even more pernicious. The same report found that the income of women near or in retirement dropped 37 percent as a result of widowhood. Divorce or separation reduced women's income by 41 percent; almost twice the decline of men's income.<sup>3</sup>

Today, the rate of poverty for women age 65 and over is 10.7 percent, compared to 6.2 percent for men.<sup>4</sup> When looking at single women over age 65, the poverty rate jumps to 17.4 percent.<sup>5</sup> In this mix is a poverty rate for white single women of 15.3 percent; 32.5 percent for single African American women; and 43.7 percent for single Hispanic women.<sup>6</sup>

### Financial Capability

The nature of today's system of individual responsibility for retirement security demands financial capability. This is WISER's primary area of focus. Women are in the difficult position of making big decisions while being unable to afford even a small mistake.

WISER's financial education efforts focus on such issues as health and retirement benefits at work (or the implication of the lack of such benefits), the financial implications of providing care for children, parents and spouses, and the risks of inflation and longevity. Importantly, we find a woeful lack of understanding on fundamental risks women are exposed to. For example:

- Longevity risk is poorly understood and not planned for.
- Women often overlook the impact of future inflation and taxes when they are planning for retirement.
- Many women assume they will work beyond normal retirement age, but more than 40 percent of Americans end up retiring earlier than they planned to, usually due to job loss, family needs including health issues, or personal poor health.
- Many do not understand how investments work. For example, they do not understand what a money market fund is.

Employers play an important role in increasing financial literacy among working Americans. However, fear of fiduciary liability limits the information and education many employers are willing to provide. Congress and the Administration should take action to provide needed guidance to encourage employers to offer information and resources to improve retirement decision-making by workers.

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<sup>3</sup> GAO. Retirement Security: Women Still Face Challenges. GAO-12-699. July 19, 2012.

<sup>4</sup> Current Population Reports. Income, Poverty and Health Insurance Coverage in the United States, 2011. September 2012.

<sup>5</sup> Women's Institute for a Secure Retirement. Fact Sheet: Single Older African American Women and Poverty.

<sup>6</sup> Ibid.

### Federal Saver's Tax Credit

WISER recommends improvements to the Federal Saver's Tax Credit that would go a long way in making the credit more useful, and easier to communicate and understand. The three-tiered credit amount is overly complex. The original intent was for the credit to be a straightforward 50% for eligible filers, which Congress should restore.

Also, the Saver's Credit is nonrefundable, so it only benefits filers with a tax obligation. Lawmakers originally intended the Saver's Credit to be refundable. Restoring this feature would expand eligibility to an estimated 73.5 million tax filers.<sup>7</sup>

In addition, more moderate-income taxpayers could benefit from raising the income limit to \$70,000. This was the original income limit intended by Congress.

The final challenge facing the Saver's Credit is its anonymity. Very few people are aware the credit exists. Millions of taxpayers would benefit from a concerted public awareness effort to raise the Saver's Credit's profile.

### Lifetime Income

One of the most important resources for women in retirement is income that lasts as long as they do. As the working group is well aware, millions of American women rely on the lifetime income of Social Security as a defense against poverty.

In the private market, lifetime income can be generated through immediate annuities and longevity insurance. Both of these products are poorly understood et could play a critical role in helping to mitigate the negative effects of women's longevity risk and improve their retirement security. Congress and the Administration should ensure that these lifetime income products are able to play a major role as life expectancies increase. Americans need to understand the benefits of these products and they need to know how to find easy-to-understand annuities that the average consumer can choose because they have confidence in them as an important way to guarantee income.

Below are additional comments from the project coordinator for WISER's Appalachian Savings Project; a project aimed at helping low-income, self-employed women increase their retirement savings through a matched savings program that simulates a saver's credit.

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<sup>7</sup> Ibid.

## The Appalachian Savings Project

The Appalachian Savings Project is a West Virginia and Ohio demonstration project targeting low-income, self-employed childcare workers who do not have access to employer benefits.

With the support of the Appalachian Regional Commission, WISER has recruited women who are learning how to save by purchasing U.S. Savings Bonds via the U.S. Treasury's on-line site, Treasury Direct. The project provides basic financial training and assists the women in budgeting in order to help them adjust to saving each month. After one year, each woman contributing a monthly deposit into their savings account will receive a matching contribution to simulate a fully refundable **saver's credit**.

While our research results will be compiled and reported on later in the year, it is clear that this incentive will give their accounts a boost, elevating modest savings into meaningful savings. The match money will be sent directly into their savings account, which encourages savings, not consumption.

We believe that reforming the Saver's Credit to make it refundable, uniform, easily understood and directed into the savings account, will help build a country of savers. It is this kind of federal asset policy that will increase our country's economic growth and help small business owners such as childcare workers who want to participate in the nation's retirement system, but see few opportunities to do so. These workers perform valuable service to their fellow Americans, at modest wages. Far too often, they are left out of benefit plans and do not have access to the financial advice necessary to put them on firm financial footing for the future.

We would be happy to provide additional information or statements from the women who are directly involved in the project about how the concept of receiving a match/simulation of an expanded saver's credit was the impetus to motivate them to learn how to save.

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